

**STATEMENT SUBMITTED FOR THE RECORD
ON BEHALF OF
THE STATES OF THE APPALACHIAN REGIONAL COMMISSION**

**HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON ENERGY AND WATER
May 3, 2017**

**Sheri Collins, ARC Alternate for 2017 States' Co-Chair
Governor Tom Wolf, Pennsylvania**

**Sandy Dunahoo, ARC Alternate
Governor Matt Bevin, Kentucky**

Chairman Simpson and Members of the Subcommittee, on behalf of the Governors of the Appalachian Region we appreciate the opportunity and urge your commitment in FY2018 to sustaining the important work and uniquely successful Federal-State partnership of the Appalachian Regional Commission.

ARC was created by Congress and the States of the Region in 1965 and has been repeatedly reauthorized with the mission of helping to bring Appalachia into socioeconomic parity with the rest of the nation by addressing unique regional challenges that few other parts of the country face— mountainous terrain and isolation, dispersed population, inadequate infrastructure, lack of financial and human resources, loss of historic industries, and a weak track record in applying for and receiving assistance from other federal programs.

The Commission serves over 25 million Americans in 420 counties designated by Congress, has strong bipartisan support, and was authorized through October 1, 2020 in the FAST Act surface transportation law enacted in December 2015.

In FY2016 Congress provided an ARC appropriation of \$146 million to support the Commission's operations and regular programs, including annual funding for the 73 local development districts, special funding to support economic diversification in coal-impacted communities, and additional money designated for work on broadband and workforce development in particular distressed areas of Appalachia. The FY2017 Continuing Resolution continues funding at this level.

In addition to Federal funds, the 13 Appalachian States assess themselves each year to support half of the Commission's operating costs with State appropriations, and also provide a portion of project investments through commitment of matching funds. This partnership approach has been and remains a foundational element of the Commission's success since its creation.

ARC requires performance outcomes for its grants, and project funding decisions reflect local priorities through a flexible "bottom up" approach, enabling

communities working through their Local Development Districts to tailor federal assistance to their individual needs.

It is a simple fact that ARC's work does not duplicate other federal programs. Commission resources extend the reach of those programs into the most challenged parts of Appalachia by providing the necessary gap funding that enables economically distressed communities to compete successfully in national programs, and support local economic diversification that would not otherwise occur .

ARC also has a focus and express record of success attracting private sector investment to areas that otherwise would not likely be seen as competitive investment opportunities. From FY2012-FY2016, on average every \$1 of ARC grant funds leveraged \$6.71 of private investment.

ARC targets its resources to the areas of greatest need at a rate significantly exceeding its authorization requirements. From FY2012-FY2016, nearly 70 percent of ARC's grant dollars went to support projects across the Region that primarily or substantially benefit economically distressed counties and areas.

Since it was created in 1965, ARC has compiled an impressive record of creating economic opportunity in Appalachia. The number of high poverty counties in Appalachia has been cut by more than two-thirds, from 295 in 1960 to 91 today; and the regional poverty rate has been cut almost in half, from 31 percent to 17 percent.

The percentage of adults with a high school diploma has increased by more than 150 percent, and students in Appalachia now graduate from high school at nearly the same rate as that of the nation as a whole. Infant mortality has been reduced by two-thirds, and rural health care infrastructure has been strengthened through the addition of more than 400 primary health care facilities.

A 2015 independent study found that over the period 1970–2012, employment and per capita income growth rates were higher in Appalachian counties which received ARC investments than in similar non-Appalachian counties that did not.

In the past five years, ARC-funded infrastructure projects have provided over 110,251 Appalachian households with access to clean water and sanitation facilities. A 2007 independent evaluation of 104 ARC infrastructure projects found that the \$29.4 million ARC invested in these projects had led to the creation of 17,800 new jobs, resulted in a net expansion of \$1.3 billion in personal income in Appalachia, and leveraged \$1.7 billion in private sector investment.

Since their creation in 1977, ARC-supported revolving loan funds have provided nearly \$197 million in entrepreneurial capital to small businesses across Appalachia, leveraged \$1.5 billion of other business investment, and created and or retained 91,000 jobs and leveraged an additional \$1.48 billion in private investments for the Appalachian Region.

It is also important to note the contributions that the people of the Appalachian region make to our nation's defense. In 2011-2015, over 9 percent of adult civilians in the Appalachian Region were veterans, compared to the national average of 8.3%,

In 2014, in partnership with the Tennessee Department of Economic and Community Development, ARC invested \$300,000 to the Appalachian Service Project (ASP) in Johnson City, Tennessee to help build homes for low-income homeowners living in some of the state's most economically distressed areas. This included veterans and their families. In the first two years of the project, 16 homes were completed -- several specifically for veterans. In many cases, these homes replaced substandard, unsafe and inefficient housing units.

In addition to financing the builds, ARC dollars helped local partners provide additional supportive services such as financial counseling, reduced-cost child care, and job training. "When we talk about the veteran's housing issue, a lot of people think we are talking about vets who might live under bridges and that sort of thing," Walter Crouch, President of ASP said. "What they don't realize is many vets and their families live in sub-standard housing or in an older mobile home that needs a lot of repair."

We also want to highlight a few additional specific ARC-supported projects which are making a difference right now, in our states and others, which would not happen without ARC involvement.

In Pennsylvania, the Scranton School for the Deaf and Hard of Hearing Children is a specialized, non-profit, tuition free school that serves children from birth to 8th grade. The school prepares each student for all aspects of life through a continuum of high-quality, individualized educational and extra-curricular programs and is committed to ensuring that each and every student is capable of achieving his or her maximum potential.

ARC funds in the amount of \$25,000, along with a \$25,000 match from The Margaret Briggs Foundation, were used to purchase SMART panels, specialized lighting, computers, a drone, and editing software that allows deaf and hard of hearing children to improve their skills using technology, expressive communication skills using American Sign Language, Sign-Supported English, and Spoken English. This technology also allows the students to virtually interact with the student body at the Western Pennsylvania School for the Deaf and elsewhere.

Another example of how ARC funds impact the residents of Appalachian Pennsylvania is the Sullivan County Dental Clinic, providing services to low-income patients. A 2010 assessment found that 33% of local adults claimed that they had never had their teeth cleaned while a regional pediatric oral surgeon characterized the area as the "epicenter of tooth decay in Pennsylvania".

An ARC grant in the amount of \$150,000, coupled with mandatory matching funds, supports expansion and renovation of the Sullivan County Dental Clinic, in a designated Health Professional Shortage Area, to allow low-income patients access to critical dental services in a private and spacious environment as opposed to the current overly crowded and open one. Modifications to the dental clinic will help to lower the barriers to dental care, improving health conditions for patients and the community.

Back in Tennessee, through TNECD, ARC has been a longstanding investor in LaunchTN, a public-private partnership making Tennessee a destination for entrepreneurship, innovation and high-quality jobs. In the past four years, LaunchTN has helped accelerate 500 companies, created over 1,300 jobs, and facilitated over \$1 billion in additional venture investment in Tennessee. In 2016, ARC continued its support for LaunchTN with a \$750,000 investment in the three LaunchTN regional entrepreneurial centers specifically serving Tennessee's Appalachian communities. Each center offers intensive programs for Tennessee's rural entrepreneurs including business-planning training, bootcamps, and mentorship. The centers are projected to create an additional 40 businesses and serve over 300 entrepreneurial students and nearly 500 businesses in Appalachian Tennessee.

In Appalachian Ohio, ARC funds are making it possible to train workers, build infrastructure, and expand market opportunities to meet the needs of the growing renewable energy market sector and diversify the local economy. ARC invested \$1.4 million for Hocking College in Nelsonville, Ohio, to develop the Appalachia RISES (Revitalizing an Industry-Ready Skilling Ecosystem for Sustainability) Initiative and work with other training institutions to create and support workforce development to meet the needs of several emerging alternative energy sectors, including solar.

Another grant went to Rural Action in The Plains, Ohio, to develop a strategic plan and feasibility study for the Appalachian Ohio Solar Supply-Chain Initiative. This regional planning effort will focus building a partnership to develop a regional solar manufacturing supply-chain in response to a major utility's plan to deploy new solar resources in Ohio and could create hundreds of new jobs in the solar industry.

In Appalachian New York, ARC support made it possible for Alfred State's School of Applied Technology campus in Wellsville to break ground on The Advanced Manufacturing Center, which will be used for training electrical, welding, and machine tool students in monitoring and management of renewable energy and sustainable advanced manufacturing, like the installation and monitoring of commercial-grade solar energy systems. Each year, Alfred State expects 50 students to complete the advanced course work and gain employment in a related field.

Despite these very real successes which are multiplied across the Region, Appalachia's economy continues to face major challenges from the decline in the coal sector and trade-related impacts on the region's manufacturing base.

Nearly one-fifth of Appalachia's counties still suffer from persistent and severe economic distress, and per-capita market income in Appalachia was nearly 26 percent lower than the nation in 2014. We appreciate the Congressional recognition of the vital role of broadband access in distressed counties in central Appalachia initiated in FY2014.

The Region has been disproportionately affected by the loss of manufacturing jobs. From 2000-2014, Appalachia had a net loss of 622,000 manufacturing jobs, and we appreciate the focused resources that Congress has made available starting in FY2015 to support workforce development in the aviation and automotive sectors in distressed counties of southern Appalachia.

Eighty-two percent of the 40,851 coal mining jobs lost in the United States from 2011-2016 were in the Appalachian Region, 33,502 of them direct mining jobs. The POWER Initiative, begun in FY2016 and continued into FY2017, has brought specific focus and resources to bear to support a range of local economic diversification efforts in coal-impacted communities especially in central Appalachia.

Roughly 20 percent of Appalachian households are still not served by a public water system, compared with 10 percent of the rest of the nation's households, and 47 percent of Appalachian households are not served by a public sewage system, compared with a national average of 24 percent.

Appalachia has higher rates of cancer, heart disease, and diabetes than the nation and central Appalachia is wracked by widespread abuse of prescription drugs. In 2010, the Appalachian region's mortality rate was 27 percent higher than the national average. Net population loss occurred in almost two-thirds of ARC counties between 2000 and 2010, and the Region lags in the proportion of adults with a college degree, 22 percent compared with 29 percent for the nation.

The successes of past years and remaining challenges today make a compelling case for continued focus on the ARC's statutory mission of bringing the Appalachian Region to parity with the rest of America. Now is emphatically not the time to consider elimination of this critical Federal-State partnership.

On behalf of all the Appalachian Governors, and our Local Development Districts, other partners, and our 25 million citizens, we thank you again for your continuing recognition of the challenges facing Appalachian communities, and your sustained support for the ARC partnership.